

Case No.

26

Application, Transcript,
Small Exhibits, Etc.

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

July 26, 1941

Honorable Glenn Staley
Proration Umpire
Hobbs, New Mexico

Re: Case No. 26, Order No. 387.

Dear Mr. Staley:

Enclosed please find the Commission's Order
in the above captioned matter.

Yours very truly,

Oil Conservation Commission

By

Carl B. Livingston
Chief Clerk

CBL:MS

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BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO FOR THE
PURPOSE OF CONSIDERING:

CASE NO. 26

ORDER NO. 387

THE PETITION OF MARTIN YATES, JR., AND
ROBERT SALIER FOR A WELL LOCATION IN
THE SE CORNER OF NWNE 2-18S-29E, EDDY
COUNTY, FOR STRUCTURAL REASONS, AT A
POINT CLOSER TO THE BOUNDARY LINE OF
SAID 40-ACRE TRACT THAN IS PERMITTED BY
PRESENT RULES OF THE COMMISSION.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at two o'clock P.M.,
July 25, 1941, at Santa Fe, New Mexico.

NOW, on the same said date, the Commission having
before it for consideration the testimony adduced at the
hearing of said case and being fully advised in the premises,
the Commission finds:

F I N D I N G S

1. That notice by publication of the filing of the
application herein, the time and the place of the hearing thereon,
and the purpose of said hearing, have been regularly given in
all respects as required by law, and the Commission has
jurisdiction of the subject matter embraced in said petition
and of the parties interested therein, and jurisdiction to
issue and promulgate the hereinafter prescribed order.

2. That geological sub-surface structural conditions
appear to be such within the NWNE, Section 2, Township 18S,
Range 29E, N.M.P.M., as to make a well location in accordance
with existing rules of the Commission to be less likely to
result in the production of oil in commercial quantities, and
that it further appears to the Commission that because of said
structural conditions a well location in the SE corner of the
said NWNE of the NWNE, at a point 100 feet west of the east
boundary line and 100 feet north of the south boundary line

said tract is more likely to produce oil in commercial quantities.

3. That Allen, Fair and Pope ~~Inc.~~, and Republic Production Company, the owners of 40-acre units affected, have consented to the drilling of the well in said proposed location.

4. That said location petitioned for appears to be a reasonable and practicable location which will not create waste.

IT IS THEREFORE ORDERED:

1. That the petitioners are hereby allowed to fix the well location petitioned for as follows:

At a point 100 feet west of the east boundary line and 100 feet north of the south boundary line of the NW $\frac{1}{4}$ of the NE $\frac{1}{4}$ Section 2, Township 18S, Range 29E, N.M.P.M.

subject to the usual administrative requirements with respect to bond and the usual filing in triplicate with the Commission Notice of Intention to Drill, on Form C-101, setting out the special location herein granted.

OIL CONSERVATION COMMISSION

JOHN E. MILES, CHAIRMAN

H. R. RODGERS, MEMBER

JOHN E. KELLY, SECRETARY.

NEW MEXICO OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

July 7, 1941

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The Santa Fe New Mexican
Santa Fe, New Mexico

Artesia Advocate
Artesia, New Mexico

Re: Case #26, Notice for Publication

Gentlemen:

Please publish the enclosed notice once, immediately. Please proof read the notice carefully and send a copy of the paper carrying such notice.

Upon completion of the publication, please send publisher's affidavit.

For payment, please submit statement in duplicate accompanied by voucher executed in duplicate. The necessary voucher blanks are enclosed.

Very truly yours,

Oil Conservation Commission

By

Carl B. Livingston
Chief Clerk & Legal Advisor

CBL:MS

CASE NO. 26

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF MARTIN YATES, JR., AND
ROBERT SALLEE FOR A WELL LOCATION IN THE SE. CORNER OF THE
NW¹/₄ NE¹/₄ 2-18S-29E, EDDY COUNTY FOR STRUCTURAL REASONS, AT A
POINT CLOSER TO THE BOUNDARY LINE OF SAID 40-ACRE TRACT THAN
IS PERMITTED BY PRESENT RULES OF THE COMMISSION.

TRANSCRIPT OF PROCEEDINGS AT HEARING
STATE CAPITOL BUILDING
SANTA FE, NEW MEXICO
JULY 25, 1941

Pursuant to order of the Commission setting July 25, 1941, at
two o'clock in the afternoon, for hearing in the above entitled matter,
said hearing was convened at said hour in the hall of the House of
Representatives, Capitol Building, Santa Fe, New Mexico, the Commission
sitting as follows:

HON. JOHN M. KELLY, Secretary, State Geologist
HON. H. R. ROGERS, Member, Commissioner of Public Lands
HON. CARL B. LIVINGSTON, Chief Clerk and Legal Advisor.

APPEARANCES:

Wallace W. Irwin	Culbertson & Irwin, Inc.	Midland, Texas
E. A. Culbertson	" " " "	" "
W. W. LaForce	Montecito Corp.	Midland, Texas
Ira VanTuyt	Gulf Oil Corp.	Hobbs, N. M.
Glenn Staley	Proration Office	Hobbs, N. M.
W. K. Davis	El Paso Natural Gas Co.	Jal, N. M.
Keith F. Quail	Sallee & Yates	Artesia, N. M.
R. M. Sallee	Sallee & Yates	Artesia, N. M.
S. P. Hannifin	Magnolia Pet. Co.	Roswell, N. M.
J. S. Griffith	Humble O. & R. Co.	Roswell, N. M.
Leo R. Manning	Land Office	Santa Fe, N. M.
Harry Leonard	Leonard Oil Co.	Roswell, N. M.
D. R. McKeithan	Phillips Pet. Co.	Bartlesville, Okla.
C. A. Daniels	" " "	Amarillo, Texas
Edgar Kraus	Atlantic Rfg. Co.	Carlsbad, N. M.

The hearing was called to order by Mr. Kelly, who requested Mr.
Livingston to read the notice of hearing, as follows:

BY MR. LIVINGSTON:

"The Oil Conservation Commission, by law invested with juris-
diction as the oil and gas regulatory body of the State of New Mexico,
hereby gives notice of the following public hearing to be held at the
Capitol, Santa Fe, New Mexico:

Case No. 26

The petition of Martin Yates, Jr., and Robert Sallee
for a well location in the SE corner of NWNE 2-18S-29E,

Eddy County, for structural reasons, at a point closer to the boundary line of said 40-acre tract than is permitted by present rules of the Commission. This case is set for 2 o'clock P.M., July 25, 1941.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

The foregoing Notice of Publication was made pursuant to the direction of the Commission at its Executive Meeting June 25, 1941.

Given under the seal of said Commission at Santa Fe, New Mexico, on July 3, 1941.

OIL CONSERVATION COMMISSION

By (Sgd) John M. Kelly
Secretary."

BY MR. QUAIL: We desire to have Mr. Sallee sworn.

ROBERT SALLEE,

being first duly sworn to tell the truth, the whole truth, and nothing but the truth, was examined by Mr. Quail, and testified as follows:

DIRECT EXAMINATION

BY MR. QUAIL: If the Commission please, there is a map attached to this petition, marked "Exhibit A". If you will follow by sections, the locations referred to --

Q Will you state your name?

A Robert Sallee.

Q What is your business?

A Producer.

Q Are you the same Robert Sallee, engaged in the production of oil in Eddy County, who made this petition?

A I am.

Q Are you a member of the partnership of Sallee & Yates?

A I am.

Q Do you have a direct interest in the producing property belonging to that partnership?

A I do.

Q Are you fully acquainted with the petition on file with this Commission referring to a new location for a well?

A I am.

Q I will ask you, Mr. Sallee, referring to a map here -- this map shows the location of a well in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Sec. 36, T. 17 S., R. 29 E., Eddy County, New Mexico --

BY MR. KELLY: You stated the location of your well wrong?

BY MR. QUAIL: I was referring to this well (indicating on map).

Q The NW $\frac{1}{4}$ of the SW $\frac{1}{4}$, what do you know about that?

A The Republic Production Company drilled that well, and it was not a well in the Loco Hills area, or in the Loco Hills sand.

Q The map further shows a well located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec. 35, T. 17 S., R. 29 E. --

A I would like to retract my statements,-- I was mistaken -- that well was drilled by Allen-Fair & Pope -- the first well mentioned, in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Sec. 36. That was drilled by Allen-Fair & Pope.

BY MR. KELLY: That was also a dry hole?

A That was a dry hole.

BY MR. QUAIL:

Q With reference to the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec. 35?

A The Republic Production Company.

Q Did that well produce in the Loco Hills sand?

A It did not.

Q The map further shows a location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Sec. 2, T. 18 S., R. 29 E.

A That well was drilled by Sallee & Yates, and that is a producer in the Loco Hills.

Q That well is how good?

A That is as good as the average well.

BY MR. KELLY: That statement does not tell the Commission anything. The question is, how good a well is it?

A I would say 300 barrels a day.

BY MR. QUAIL:

Q That map shows a well in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Sec. 2, 18S., R. 29 E. What do you know in regard to that well?

A That well will make 400 barrels a day.

Q Is that well producing from the Loco Hills horizon?

A It does.

Q Another well in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Sec. 2, T. 18 S., R. 29 E. What do you know with regard to that?

A That is R. W. Fair's well, and that well will make approximately 300 barrels a day.

Q Is that well producing commercially from the Loco Hills horizon?

A It is.

Q And the map shows a well located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Sec. 2, T. 18 S., R. 29 E. What do you know with reference to that well?

A That well was drilled by Allen, Fair & Pope. That well did not produce -- I heard they got twenty barrel well 130 feet below the Loco Hills sand.

Q Do you know where they picked that up?

A The Loco Hills horizon was at 2620 feet.

BY MR. KELLY: But no commercial production?

A Yes, sir.

Q The map shows another well in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Sec. 2, T. 18 S., R. 29 E., the location of the well being out of the southwest corner of that tract. What do you know with reference to that well?

A That well was drilled by Bassett & Birney. They also reached that pay, and they also produced a pay below the Loco Hills.

Q Referring to a well located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Sec. 35, T. 17 S., R. 29 E. What do you know about that well?

A That well was drilled by Jones & Yates. That also failed to produce in the Loco Hills -- a light well in a lower pay -- I am not familiar with what pay.

Q The petition which is on file with the Commission, asking for permission to make a location in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Sec. 2, T. 18 S., R. 29 E., at a point 100 feet north of the south line, and 100 feet west of the east line. Why do you wish to locate a well at that particular point?

A It seems the wells prove the shore line runs between Fair well there in the NE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Sec. 2, and the Republic Production well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec. 35.

Q In your opinion, would a well drilled on that particular tract at the

regular location. permit it to be a producing well?

A It has a chance. I doubt, if you draw a straight line across from this well --

BY MR. KELLY: You will have to set the wells out.

A It is proven the shore line is between the Fair well in the SE¹₄ of the NW¹₄ of Sec. 2 and the Allen, Fair & Pope well in the SW¹₄ of the NW¹₄ of Sec. 2.

BY MR. QUAIL: If the Commission please, the shore line to which he is making reference, is indicated in the attached map.

BY MR. KELLY: The Commission would like to know what you mean by the "shore line". Do you mean the edge of the sand in the Loco Hills pay?

A The edge of the Loco Hills pay, yes.

Q Is there, in your opinion, more chance of producing oil in that area? You are familiar with each of the wells that have been drilled in that area, than, in all possibility, the sands in about the vicinity indicated to be a shore line on the map attached to the petition and marked "Exhibit A"?

A Yes, I think that is proven by the drilling, the wells in the SE¹₄NW¹₄ of Sec. 2, and the well in the NE¹₄ and NW¹₄ of Sec. 2, and also the well over in the SE¹₄SE¹₄ of Sec. 35.

Q Mr. Sallee, I ask you, if you are unable to locate that well at the proposed location, thereby being forced to the regular location, if it would be, economically, the thing to do to drill at the regular location?

A I would not recommend it.

Q In other words, your chances of getting a dry hole are far too great?

A Correct.

Q Mr. Sallee, I will ask you to state, if you know, who are the owners of the offset tracts to the forty acres on which you propose to drill?

A Allen, Fair & Pope to the west; the Republic Production Company to the north; Sallee & Yates to the east, and Sallee & Yates to the south.

Q In other words, as to the petition here, the NE¹₄NW¹₄, the SE¹₄NW¹₄ and the SW¹₄NE¹₄ are owned by Sallee & Yates?

A That is correct.

Q And the SE¹/₄NW¹/₄ is owned by Allen, Fair & Pope?

A By R. W. Fair.

Q And the SW¹/₄NW¹/₄ is owned by Bassett & Birney?

A That is correct.

BY MR. KELLY: In order to simplify this, the only location would be the direct offset, - we are only interested in --

BY MR. QUAIL: And that is the SW¹/₄SE¹/₄ of Sec. 35, T. 17 S., R. 29E.

A Owned by the Republic Production Company.

Q That is owned by the Republic Production Company?

A Yes, sir.

Q With reference to making this proposed location, have you had occasion to contact Allen, Fair & Pope?

A We have.

Q What was their response?

A They have stated -- we have a letter stating they would give us a formal waiver, and then the formal waiver followed the letter.

Q Waiver to what?

A A waiver to drilling a well in the SE¹/₄NW¹/₄ 100 feet north of the south line --

BY MR. KELLY: Again you have mis-stated the location -- it is the southeast corner of the NW¹/₄NE¹/₄ of Section 2, 18 S., R. 29 E., 100 feet west of the east line, and 100 feet north of the south line of the forty acres.

BY MR. QUAIL:

Q I hand you this instrument, marked "Petitioner's Exhibit No. 1", and ask you to state what it is?

A That is a waiver from Allen, Fair and Pope permitting that location.

BY MR. QUAIL: I offer this in evidence.

PETITIONERS' EXHIBIT NO. 1

"BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF MARTIN YATES, JR., AND ROBERT SALLIE FOR A CLOSER PLACING PERMIT THAN IS AT PRESENT PERMITTED BY THE RULES OF THE COMMISSION.

WAIVER AND ANSWER

TO THE HONORABLE OIL CONSERVATION COMMISSION, STATE OF NEW MEXICO:

Comes now Allen, Fair & Pope, and hereby accepts service of a

copy of the Petition of Martin Yates, Jr., and Robert Sallee in this cause and does further enter its general appearance herein.

Allen, Fair & Pope further states that it does hereby give its consent and does expressly waive any objections to the proposed location stated in the Petition of Martin Yates Jr., and Robert Sallee, filed in this cause, and does hereby expressly consent to the entrance of the order requested by said petitioners at a hearing held at any time without further notice.

ALLEN, FAIR & POPE

(Sgd) G. V. Allen

(Sgd) C. M. Pope, Jr.

(Sgd) R. W. Fair

STATE OF TEXAS)
COUNTY OF SMITH)

On this 17th day of July, 1941, before me personally appeared R. W. FAIR, C. M. POPE, JR. and G. V. ALLEN to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the foregoing instrument and acknowledged that they the same as their free act and deed.

IN WITNESS WHEREOF, I have herunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Sgd) Barbara Wood, Notary Public

My commission Expires
May 31, 1943

(SEAL)

- Q Did you have any other communication from Allen, Fair & Pope?
- A We have a letter from them.
- Q To whom is that letter directed?
- A To Martin Yates, Jr.
- Q In giving this testimony you are speaking as a partner of Martin Yates, Jr.?
- A Yes, sir.
- Q I hand you this instrument, marked "Petitioners' Exhibit No. 2", and ask you to state what that is?
- A That is the letter from Allen, Fair & Pope approving our location.

PETITIONERS' EXHIBIT NO. 2

G. V. Allen, President

C. M. Pope, Jr., Secretary

ALLEN, FAIR & POPE, INC.

P. O. Box 689

TYLER, TEXAS

June 10, 1941

Mr. Martin Yates, Jr.

Artesia, New Mexico

Dear Sir:

This is to advise you or any one concerned that we hereby waive any objections to your contemplated location one hundred (100) feet from the South line, one hundred (100) feet from the East line of the NW $\frac{1}{4}$ of NE $\frac{1}{4}$, Section 2, Township 18S, Range 29E, Eddy County, New Mexico.

Yours very truly,

ALLEN, FAIR & POPE

CMP/p

By (Sgd) C. M. Pope, Jr.

Q Further, Mr. Salles, have you had any contact with the Republic Production Company with reference to that location, with reference to whether they have any objection?

A We have.

Q In what form?

A They wired us they would give a waiver, and followed the wire with a waiver.

Q Are you acquainted with the general superintendent of the Republic Production Company?

A Yes, sir.

Q Who is he?

A Jerry Chesnutt.

Q I hand you this paper, marked Petitioners' Exhibit No. 3, and ask you to state what that is?

A That is the wire from Chesnutt approving our location.

BY MR. QUAIL: We offer Exhibit No. 3 in evidence.

PETITIONERS' EXHIBIT NO. 3

WESTERN UNION

SANANGLO TEX 22 1044A

1941 JUL 22 AM 10 46

SALEE AND YATES -AJ-

RETEL. LOCATION APPROVED. SIGNED WAIVER MAILED YESTERDAY

JERRY CHESNUTT

SALEE.

Q I hand you Petitioners' Exhibit No. 4 and ask you to state what that is.

A That is the waiver to the location.

Q By whom is it signed?

A Chesnutt.

BY MR. QUAIL: We offer Petitioners' Exhibit No. 4 in evidence.

PETITIONERS' EXHIBIT NO. 4

"BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE
OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF MARTIN YATES, JR.,
AND ROBERT SALLEE FOR A CLOSER PLACING PERMIT THAN IS
AT PRESENT PERMITTED BY THE RULES OF THE COMMISSION

WAIVER AND ANSWER

TO THE HONORABLE OIL CONSERVATION COMMISSION, STATE OF NEW MEXICO:

Comes now the Republic Production Company, a corporation, and
hereby acknowledges service of a copy of the Petition of Martin
Yates, Jr., and Robert Sallee in this cause and does further enter
its general appearance herein. The said Republic Production Company,
a corporation, expressly admits the allegations contained in the Petition.

The said Republic Production Company, a corporation, states that
it is the owner of a certain oil and gas lease and leasehold estate
embracing the Southwest Quarter of the Southeast Quarter (SW $\frac{1}{4}$ SE $\frac{1}{4}$) of
Section Thirty-Five (35), Township Seventeen (17) South, Range
Twenty-Nine (29) East, N.M.P.M., Eddy County, New Mexico, which tract
of land is an off-set to the tract of land with reference to which
petitioners request the right to make an unorthodox location; that
if petitioners should develop a commercial well on said tract of
land the Republic Production Company, a corporation, will be required
to off-set said tract or pay compensating royalty to the United States
of America in accordance with the provisions of its lease on said
land; that Ernest A. Hanson, Supervisor of Oil and Gas Operations of
the United States Department of the Interior, Geological Survey, has

determined said compensating royalty to be 1.5 percent; that petitioners have heretofore agreed with the Republic Production Company, a corporation, to relieve the said Republic Production Company, a corporation of the obligation of paying said compensating royalty by paying the same to the United States of America; that the Republic Production Company, a corporation, in reliance on said agreement does hereby give its consent and does expressly waive any objections to the purposed location stated in the Petition filed in this cause, and does further expressly consent to the entrance of the order requested by said petitioners at a hearing held at any time without further notice.

REPUBLIC PRODUCTION COMPANY

By (Sgd) Jerry Chesnutt
Its Gen Supt.

ATTEST:

Subscribed and sworn to before me this 21st day of July, A. D. 1941.

(SEAL)

(Sgd) Catherine Burleson
Notary Public
Catherine Burleson
Notary Public, in and for Tom Green
County, Texas

My Commission Expires:

June 1, 1943."

STATE OF TEXAS Ø
 : ss
COUNTY OF TOM GREEN Ø

Jerry Chesnutt, being duly sworn on behalf of the Republic Production Company, a corporation, deposes and says: That he is General Superintendent of said corporation; that he has read the foregoing Waiver and Answer; that he signed and executed the foregoing Waiver and Answer on behalf of said corporation and with the authority of the Board of Directors of said corporation; and that the matters and things set forth in the foregoing Waiver and Answer are true and correct.

(Signed) Jerry Chesnutt

Subscribed and sworn to before me this 21st day of July, A.D. 1941.

(Signed) Catherine Burleson
Notary Public
Catherine Burleson
Notary Public, in and for Tom Green County,
Texas."

My Commission Expires:
June 1, 1943

A In getting your waiver from the Republic Production Company did any matter come up in connection with compensatory royalty by which the Republic tract would become obligated on the tract which is the subject of this petition?

A Yes, sir, that matter came up.

Q I will ask you if at any time either you or they had occasion to contact the Federal Government with reference to that compensatory royalty?

A Yes, sir, we did, to see what the compensatory royalty would be.

Q What did they advise?

A They told us they would compute it and give it to us.

Q Did they?

A They did.

Q What did they find?

A 1.5%.

Q I will ask you to state, if you know, under the rules and regulations how the amount of the compensatory royalty is determined, approximately?

BY MR. KELLY: I don't think that is relevant.

Q You stated a few minutes ago you had been advised by the Department as to the total amount. From whom did you get that communication?

A Mr. Arnold.

Q What is his position?

A Deputy Supervisor of the Federal Oil and Gas Operations.

Q I hand you Petitioners' Exhibit No. 5, and ask you to state what that is.

A That is the letter from Mr. Arnold advising us the amount of the compensatory royalty that would be due.

PETITIONERS' EXHIBIT NO. 5

"P. O. Box 997
Roswell, New Mexico
July 15, 1941

Mr. Martin E. Yates, Jr.
Artesia, New Mexico

Re: Las Cruces 028775(b).

Dear Sir:

Following our conversation of recent date, I have calculated the percent of compensatory royalty that would be charged against lease Las Cruces 028775(b), in the event you drilled your well 100 feet north and 100 feet west of the Southeast corner of the

NW 1/4 of Section 2, T. 17 S., R. 29 E.

The compensatory royalty would be 1.5 percent.

Very truly yours,

, (Signed) Ernest C. Arnold
ERNEST C. ARNOLD, Acting Supervisor,
Oil and Gas Operations.

ECA:th

BY MR. QUAIL: I realize you are not interested in this, but I do want to get this into the record to establish that agreement between Sallee & Yates and the Republic Production Company. It is merely evidence of the agreement between Sallee & Yates and the Republic Production Company.

BY MR. KELLY: You realize it will not bind the Commission in any way?

BY MR. QUAIL: Yes. I ask to be allowed to put it in the record.

Q At any time did you and Mr. Yates have occasion to enter into an agreement between you and the Republic Production Company?

A We did, we agreed to pay it.

Q How was that handled?

A Mr. Yates gave the Republic Production Company a letter.

Q Was that letter accepted or not by the Republic Production Company?

A It was accepted.

Q I hand you Petitioners' Exhibit No. 6 and ask you to state what it is.

A That is a letter advising the Republic Production Company that we will pay the compensatory royalty on their offset acreage if they would be obliged to pay it over to the government.

Q By whom is that signed?

A Martin Yates, Jr.

Q By whom was it accepted for the Republic Production Company?

A Jerry Chesnutt.

BY MR. QUAIL: I offer Petitioners' Exhibit No. 6 in evidence.

PETITIONERS' EXHIBIT NO. 6

"Artesia, New Mexico
June 23, 1941

Republic Production Company
San Angelo, Texas

Gentlemen:

This is to advise that Mr. Robert Sallee and I purpose to secure the permission of the Oil Conservation Commission of the

State of New Mexico to drill a well for oil and gas in the southeast corner of the NW¹NE¹ of Section 2, Township 18 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, at a point 100 feet north of the south line of said tract and 100 feet west of the east line of said tract. We are advised that you own the oil and gas lease and leasehold estate embracing the SW¹SE¹ of Section 35, Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, by virtue of a lease issued by the United States of America.

In consideration of your making no objection to the purposed location we agree to relieve you of the obligation of paying compensating royalty to the United States of America to which our location will subject your lease. Mr. Ernest A. Hanson, Supervisor of Oil and Gas Operations of the Geological Survey of the United States Department of the Interior, advised that the compensating royalty for which your lease would become obligated would be 1.5 percent. We agree to pay this sum or any other sum computed on the basis of the regulations promulgated by the Secretary of the Interior of the United States and will save you harmless from any obligation to pay the same caused by a well situated on our purposed location.

Very truly yours,

SALLEE & YATES

By (Signed) Martin Yates, Jr.
MARTIN YATES, Jr.

ACCEPTED:
REPUBLIC PRODUCTION CO.

By (Signed) Jerry Chesnutt."

Q I ask you who is the lease holder of this tract on which you propose to drill this well?

A The State of New Mexico.

Q Any royalty that might be due from you as the result of your production would be payable to the State of New Mexico?

BY MR. KELLY: I make a correction, the lessor is not the State of New Mexico but an institution under the State of New Mexico.

BY MR. QUAIL: That is all unless the Commission wishes to ask some questions.

BY MR. LIVINGSTON: Mr. Quail, I am asking this of you, not as a witness, but merely as attorney -- this is for clarification. I understand

from your petition that the only three units that would be affected by your unorthodox location are those immediately adjoining nearest the well, and they are owned by Allen, Fair & Pope and the Republic Production Company?

A Yes, the only offset tracts affected by this location. The other tracts are owned by this witness and his partner and Allen, Fair & Pope and the Republic Production Company.

BY MR. LIVINGSTON: And there would be one in the corner.

BY MR. KELLY: They own that.

Anybody else wish to question this witness as to the feasibility of his location?

(No answer).

Witness dismissed.

BY MR. QUAIL: Mr. Yates is here, if the Commission wishes any information as to the other wells.

BY MR. KELLY: No.

BY MR. QUAIL: That closes our case.

BY MR. LIVINGSTON: The Commission has authorized me to state that the Commission will take this case under advisement and will issue an order as soon as practicable.

C E R T I F I C A T E

I certify that the foregoing and attached thirteen and a fraction pages of typewriting are a true, correct and complete transcript of the shorthand notes taken by me, and all of the exhibits offered in evidence, at the hearing in the above entitled cause, and by me reduced to typewriting.

WITNESS my hand this 2nd day of August, 1941.


Esther Barton

PROOF OF PUBLICATION

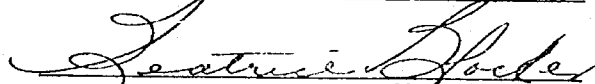
STATE OF NEW MEXICO }
County of Eddy } ss.

A. L. Bert
~~C. R. BECKER~~, being duly sworn deposes and says that he is the ^{editor} ~~publisher~~
of THE ARTESIA ADVOCATE, a newspaper published in Artesia, Eddy
County, New Mexico, that the notice of Publication of
State Of New Mexico Oil Conservation Commission
Case No. 26

a copy of which is hereto attached was first published in said newspaper
in its issue dated July 10, 1941
and was published in the weekly issue of said newspaper, and not in
any supplement, thereafter for the full period of one consecutive
weeks, the last publication thereof being in the issue dated



Subscribed and sworn to before me on July 14, 1941


Notary Public

Publishers Fees \$3.28

NOTICE FOR PUBLICATION

STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following public hearing, to be held at the Capitol, Santa Fe, New Mexico:

Case No. 26

The petition of Martin Yates, Jr., and Robert Sallee for a well location in the SE corner of NWNE 2-18S-29E, Eddy County, for structural reasons, at a point closer to the boundary line of said 40-acre tract than is permitted by present rules of the Commission. This case is set for 2 o'clock P. M., July 25, 1941.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

The foregoing Notice of Publication was made pursuant to the direction of the Commission at its Executive Meeting June 25, 1941.

Given under the seal of said Commission at Santa Fe, New Mexico, on July 3, 1941.

OIL CONSERVATION
COMMISSION
By (SGD) John M. Kelly
Secretary

(SEAL)

28-1t

LEGAL ADVERTISING

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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OIL CONSERVATION COMMISSION.

By (SGD) JOHN M. KELLY,
Secretary.

(SEAL)

(Publish July 10, 1941.)

PUBLISHER'S BILL

39 lines, one time at \$ 3.12
lines, times, \$
Tax \$
Total \$

Received payment,

By

Affidavit of Publication

State of New Mexico, } ss.
County of Santa Fe

I, B. E. Lloyd, being first duly sworn, declare and say that I am the (Business Manager) (~~Editor~~) of the Santa Fe New Mexican, a daily newspaper, published in the English Language, and having a general circulation in the City and County of Santa Fe, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937; that the publication, a copy which is hereto attached, was published in said paper once each week for 1 consecutive weeks, and on the same day of each week in the regular issue of the paper during the time of publication, and that the notice was published in the newspaper proper, and not in any supplement, once each week for 1 weeks consecutively, the first publication being on the 15th day of July, 1941, and the last publication on the 15th day of July, 1941; that payment for said advertisement has been (duly made), or (assessed as court costs); that the undersigned has personal knowledge of the matters and things set forth in this affidavit.

B. E. Lloyd
Manager.

Subscribed and sworn to before me, this 11th day of July, A. D., 1941.

Anna K. Ormiche
Notary Public.

My Commission expires

June 11, 1945

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following public hearing to be held at the Capitol, Santa Fe, New Mexico:

Case No. 26.

The petition of Martin Yates, Jr., and Robert Saltee for a well location in the SE corner of NWNE 2-18S-29E, Eddy County, for structural reasons, at a point closer to the boundary line of said 40-acre tract than is permitted by present rules of the Commission. This case is set for 2 o'clock P.M., July 25, 1941.

Any person having any interest in the subject of the said hearing shall be entitled to be heard.

The foregoing Notice of Publication was made pursuant to the direction of the Commission at its Executive Meeting June 25, 1941.

Given under the seal of said Commission at Santa Fe, New Mexico, on July 3, 1941.

OIL CONSERVATION COMMISSION

By (S2D) John E. Kelly
Secretary

(SEAL)

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

* * * * *

IN THE MATTER OF THE APPLICATION OF MARTIN YATES JR., and
ROBERT SALLEE FOR A CLOSER PLACING PERMIT
THAN IS AT PRESENT PERMITTED BY THE
RULES OF THE COMMISSION.

CASE NO. 26

TO THE HONORABLE OIL CONSERVATION COMMISSION, STATE OF NEW
MEXICO:

The petitioners, Martin Yates Jr., and Robert Sallee, appearing herein by their attorneys, Watson and Quail, are the owners of a certain oil and gas lease embracing the northwest quarter of the northeast quarter (NW $\frac{1}{4}$ NE $\frac{1}{4}$) of section 2, township 18 south, range 29 east, N.M.P.M., Eddy county, New Mexico, and are desirous of securing permission to drill a well for oil and gas in the southeast corner of said tract of land above described, at a point 100 feet west of the east line, and 100 feet north of the south line of said tract above described, said location being closer to the boundary line of said forty acre tract than is permitted by the present rules and regulations of the Commission, and said petitioners, in support of such request respectfully state as follows:

That petitioners have heretofore drilled one well located in the southeast corner of the northeast quarter of the northeast quarter (NE $\frac{1}{4}$ NE $\frac{1}{4}$) of section 2, township 18 south, range 29 east, N.M.P.M.,

Eddy County, New Mexico, which well is producing commercially from the Loco Hills horizon, at a depth of 2671 feet;

That petitioners have heretofore drilled a well located in the southeast corner of the southeast quarter of the northeast quarter (SE $\frac{1}{4}$ NE $\frac{1}{4}$) of said section 2, which well is producing from the Loco Hills horizon at a depth of 2708 feet;

That petitioners have heretofore drilled a well in the southeast corner of the southwest quarter of the northeast quarter (SW $\frac{1}{4}$ NE $\frac{1}{4}$) of said section, which well is producing from the Loco Hills horizon at a depth of 2675 feet;

That Allen, Fair and Pope Inc., have heretofore drilled a well in the southeast corner of the southeast quarter of the northwest quarter (SE $\frac{1}{4}$ NW $\frac{1}{4}$) of said section 2, which well is a commercial well;

That Allen, Fair and Pope Inc., have heretofore drilled a well in the southeast corner of the northwest quarter of the southwest quarter (NW $\frac{1}{4}$ SW $\frac{1}{4}$) of section 36, township 17 south, range 29 east, N.M.P.M., Eddy County, New Mexico, which well failed to produce;

That the Republic Production Company has heretofore drilled a well located in the southeast corner of the southeast quarter of the southeast quarter (SE $\frac{1}{4}$ SE $\frac{1}{4}$) of section 35, township 17 south, range 29 east, N.M.P.M. Eddy County, New Mexico, which well failed to produce;

That Allen, Fair and Pope Inc., have heretofore drilled a well located in the southwest corner of the northeast quarter of the northwest quarter (NE $\frac{1}{4}$ NW $\frac{1}{4}$) of said section 2, township 18 south, range 29 east, N.M.P.M. Eddy County, New Mexico, which well is producing at a depth of 2770 feet, but failed to produce from the Loco Hills horizon;

That the locations of the wells heretofore mentioned, which failed to produce from the Loco Hills horizon, convinces petitioners that

there is a shore line running directly across the northwest quarter of the northeast quarter of section 2, township 18, south, range 29 east, N.M.P.M. Eddy County, New Mexico, and that because of the location of said shore line in said 40 acre tract, oil in commercial quantities will not be discovered on said tract unless a location is made in the extreme southeast corner of said tract, said location being closer to the boundary lines of said tract than the present rules and regulations of the Commission permit;

That in order to avoid the hazard of drilling a dry well and to make the production of oil as certain as possible, petitioners desire to drill a well located at the point described in paragraph 1 of said petition;

That Allen, Fair and Pope Inc., and Republic Production Company, the owners of adjoining tracts have consented to the drilling of a well in said proposed location; that petitioners have agreed with Republic Production Co., to pay compensating royalty on the basis of the regulations pertaining thereto as promulgated by the Secretary of the Interior of the United States; that it will be to the interest of the owners of said lease and to the State of New Mexico to have said well located at a point which will assure the production of oil in commercial quantities as nearly as possible.

In consideration of the foregoing statements, the petitioners have attached hereto a plat which is marked Exhibit "A", showing the locations of the present producing wells and the depth at which they are producing; the location of the dry holes and the proposed location; and said petitioners respectfully request the Commission to give notice as provided by the rules and regulations of the Commission, and that a hearing on this matter be held at the earliest possible date; and that said petitioners be permitted to submit proof in support of this petition and that the Commission make and execute all necessary and proper orders in consideration of the premises.

WATSON AND QUAIL,

By Kurt A. Quail Atty. for Petitioners.

STATE OF NEW MEXICO

COUNTY OF SANTA FE..ss

Comes now Keith F. Quail, one of the attorneys for the petitioners, Martin Yates Jr., and Robert Sallee, who being first duly sworn, states that he has read the foregoing petition; that the matters and facts therein stated are true and correct; that he makes this verification for and on behalf of said petitioners for the reason that said petitioners are not in the county for said purposes.

Keith F. Quail

Subscribed and sworn to before me this the 24th day of June, 1941.

Byrdel F. Clagett

Notary Public

My commission expires:

4-18-43

R. 29 E. N. R. 29 E.

TWP. 12 S.

W. E.

DEE HOLE

APPROX. LOCO HILLS SHORE LINE

2770'

2675'

2671'

2708'

ALLEN, FAIR + POPE PRODUCING WELL

ALLEN, FAIR + POPE PRODUCING WELL

MARTIN YATES, JR. "SALLEC + YATES" PRODUCING WELLS.

MARTIN YATES, JR. "SALLEC + YATES" PROPOSED LOCATION.

STATE LEASE NO. B-684

ALLEN, FAIR + POPE PRODUCING WELL

Case # 1

CASE 27

O.R.P. # 389

PETITION OF CULBERTSON & IRWIN, INC.
for Order of Comm. repressure maintenance proj.

make

of Cumbria repressure maintenance project